

Working with professional fund raisers

If your organization is considering working with a professional fund raiser, you have an obligation and a responsibility to the public to account for all funds collected and to ensure the fund raising is conducted in an honest, straightforward, and legal manner.

By definition, a professional fund raiser is any person who, for compensation, solicits contributions or employs others to solicit in Wisconsin on behalf of any charitable organization. Professional fund raisers must register their organization with the state Department of Regulation and Licensing and must file a \$20,000 bond before beginning any solicitations. Contact the Department of Regulation and Licensing at PO Box 8935, Madison, WI 53708-8935 or call 608-266-5511.

Check with others

Before you agree to work with a professional fund raiser, consider the following:

- Check with the Charitable Organization Section of the Department of Regulation and Licensing, Bureau of Consumer Protection, local chamber of commerce, or Better Business Bureau.
- Ask the fund raiser for the names of the three organizations, preferably in Wisconsin, that have used its services. Call them to discuss their experiences before signing any contract.
- If the fund raiser is going to use your organization's name in a charitable solicitation, your organization must be registered as a charitable organization with, or obtain

an exception from, the Department of Regulation and Licensing. You must file a registration application before any solicitations begin. Although your organization might not consider itself to be a charity, once a fund raiser uses your name in a charitable appeal, your organization is considered a charity and must be registered.

- If a commercial seller wants to sell merchandise by representing that your organization will receive some of the money, the commercial seller must disclose what portion of the purchase price will be used for charity.

Get everything in writing

If you are satisfied with the fund raiser's reputation and



interested in working with the company, the next step is the contract.

Make sure there is a written contract between you and the fund raiser, executed by your organization's authorized representative. Use the complete legal name of your organization and the fund raiser. Print the names of persons signing the contract below the signature lines and include complete mailing addresses. If possible, have an attorney review the contract before you sign it. All terms should be clearly explained in writing. Be sure answers to the following are included:

- Are the terms easy to understand and does the contract clearly spell out what portion of the money raised goes to your organization?
- How much money does the fund raiser expect to raise? How much money are you guaranteed? Are "proceeds" clearly defined? For example, your organization may be guaranteed \$1,500, but if the fund raiser collects \$40,000, your organization actually realizes a very small percentage of the

total funds. Much of the money collected in the name of charity actually covers salaries, other expenses, and profit for the fund raiser. Your organization may receive as little as ten percent of the money raised. Is this acceptable? You should try to negotiate a contract that gives your organization as big a share of the donations as possible. Wisconsin law requires the contract to state the percentage of gross receipts that will be retained by the charity.

- If the fund raising drive involves some type of show or event, will the fund raiser oversell the seating capacity? Your organization may be surprised to find 8,000 tickets have been sold for an 800-seat auditorium.
- Who is responsible for distributing show tickets: State law requires that every ticket sold on the representation that it will send a disadvantaged individual to a show must be distributed to those individuals. Donations collected for tickets that are not distributed can be viewed as being obtained

by false representation—in your organization's name.

- What is the sales manager's name, permanent address, and phone number? If possible, obtain a forwarding address.
- Who is responsible for obtaining local sales permits or paying applicable sales tax on ticket sales?

Approve and monitor all phone solicitations

Have an officer of your organization approve all proposed written telephone solicitations and sales scripts before solicitations start. Check for the following:

- Is the solicitation accurate and truthful? Is anything misrepresented? Make sure changes are made and resubmitted in writing for your approval before solicitors begin. Have the fund raiser prepare, for your approval, a written response sheet for frequently asked questions.
- Are other charities or groups mentioned in the solicitation? If so, state law requires that you obtain written permission from

any group before you use its name.

- Will the solicitors be supervised at all times to insure that the approved scripts are followed? Periodically visit the telephone sales room to get a sense of what is being presented to the public in your name.
- Solicitors should not be allowed to make any reference or implication that they are the sponsor, instead of its representatives, in the fund raising drive. This frequently occurs in solicitations for law enforcement, fire fighters, or similar groups which command exceptional respect within communities.
- Who gets to keep the list of donors when the soliciting is over? Some contractors specify that the list is the fund raiser's property, but the list was generated in your organization's name. Insist that the list is your property.

Keep track of the money

Under state law, all contributions must be deposited in a financial account controlled by

the charity, not the fund raiser. As the charity, you have sole control of all withdrawals from the account. It's important to keep track, daily, of money coming in from donors and money going out for expenses.

Donations

Any tickets sold to sponsor attendance of handicapped or other disadvantaged persons to attend an event must be distributed. To monitor this, you should demand that the sales manager give you a written account of:

- a) the total number of tickets sold.
- b) the number of tickets returned for sponsorship.
- c) the number of tickets distributed.
- d) who received the tickets.

State law requires the fund raiser to obtain written commitments from organizations that will be given a specified number of tickets. These commitments must be obtained **before** solicitations begin. The fund raiser may not sell more than the number of tickets for which commitments are made. In addition, keep track of donations by doing the following:

- Periodically accompany collectors who go out to pick up money or drop off receipts or tickets.
- Review both sales records and financial records daily. Make the sales manager aware that you plan to do this.
- Some contributors will give cash for donations and ticket purchases. You should expect to see cash receipts listed in the fund raiser's daily report records. If cash income is not listed every few days, ask the sales manager to explain the accounting method used when cash is received or why this event isn't receiving payments in cash.

Expenses

Wisconsin law requires the fund raiser to give sponsoring charity a written financial report that accounts for all contributions and expenses.

- Obtain originals or copies of:
 - (a) invoices as received
 - (b) paid receipts as paid
 - (c) payrolls as due
 - (d) payrolls as paid
 - (e) check/deposit slips

- Never sign blank checks. Most fund raisers will open a joint checking account with the sponsoring organization and all checks drawn on the account must be cosigned by the fund raiser and sponsoring organization. Require the bank to return checking account statements and canceled checks to you and provide copies to the fund raiser.
- Monitor all expenses to assure that they are necessary and fair. Immediately question any expense you feel is unjustified or excessive. Check all phone bills carefully. Some long distance calls may be totally unnecessary or unrelated to your event.

Watch for unpaid bills. Before your financial settlement, get a list of all vendors supplying goods or services to the fund raiser. Ask to see receipts for expenses such as phone bills, auditorium rental, and office space and equipment. Unpaid vendors, as well as unpaid employees, will look to you for final payment, so make the fund raiser account for all expenses. After the event is over, a large phone bill will usually arrive.

Determine what procedures will be used to collect unpaid donations or ticket purchase pledges when the fund raiser leaves town.

Reporting

- If more than \$100,000 is raised, your organization's annual report will require an accompanying audit by an independent certified public accountant.
- Keep good financial records of the solicitations so that your organization will be able to complete its annual report accurately.

For more information, or to file a complaint, contact the Bureau of Consumer Protection at:

(800) 422-7128

FAX: (608) 224-4939

TTY: (608) 224-5058

E-MAIL:

datcphotline@datcp.state.wi.us

WEBSITE:

<http://datcp.state.wi.us/>